

## Message Text

UNCLASSIFIED

PAGE 01 LONDON 12719 01 OF 05 091739Z  
ACTION EUR-12

INFO OCT-01 EA-12 IO-14 ISO-00 AGR-01 OES-09 DOE-15  
SOE-02 DOEE-00 SSO-00 INT-05 AID-05 CIAE-00 EB-08  
FRB-01 INR-10 NSAE-00 ICA-20 XMB-04 OPIC-06 SP-02  
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07 CEA-01  
PA-02 L-03 H-02 ABF-01 /169 W  
-----015285 091816Z /42

P R 091712Z AUG 78  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC PRIORITY 8958  
TREASURY DEPT WASHDC PRIORITY  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY DUBLIN  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
AMCONSUL BELFAST  
AMCONSUL EDINBURGH  
USMISSION GENEVA  
USDOC WASHDC

UNCLAS SECTION 01 OF 05 LONDON 12719

USEEC ALSO FOR EMBASSY  
USOECN ALSO FOR EMBASSY  
USMTN

DEPARTMENT PASS FEDERAL RESERVE BOARD; TREASURY FOR  
DONALD E. SYVRUD, OASIA

E.O. 11652: N/A  
TAGS: ECON, UK  
SUBJECT: ECONOMIC DEVELOPMENTS FOR PERIOD AUGUST 3 - 9

SUMMARY: RAW MATERIALS AND FUELS PRICES EASE AS FINISHED  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 12719 01 OF 05 091739Z

GOODS PRICES CONTINUE TO DECELERATE. ELIGIBLE LIABILITIES UNEXPECTEDLY ROSE 1.5 PERCENT IN THE BANKING MONTH ENDED JULY 19. THE FINANCIAL TIMES LATEST SURVEY PORTRAYS MORE CONFIDENT BUSINESSMEN DESPITE COMPLAINTS OF WEAK DEMAND. THE FINAL ESTIMATE OF JUNE RETAIL SALES SHOWS ITS VOLUME INCREASING 0.2 PERCENT OVER THE PREVIOUS MONTH. INSTALLMENT CREDIT CONTINUED TO RISE. STATISTICS

PROVIDED BY THE LONDON CLEARING BANKS SHOWED A SUBSTANTIAL, 793 MILLION POUND, INCREASE IN STERLING ADVANCES TO THE U.K. PRIVATE SECTOR IN THE JULY 19 BANKING MONTH. PRICES IN THE GILT MARKET ADVANCED AND THE GOVERNMENT BROKER WAS ABLE TO SELL A SMALL AMOUNT OF THE SHORT TAP. STERLING AVOIDED THE HEAVY ACTIVITY IN DOLLAR/YEN AND DOLLAR/DM MARKETS. END SUMMARY.

1. WHOLESALE PRICES. RAW MATERIALS AND FUELS PRICES DECLINED WHILE FINISHED GOODS PRICES ROSE MODERATELY IN JULY. THE FOLLOWING TABLE SUMMARIZES THE MOST RECENT WHOLESALE PRICE DATA: (1970 EQUALS 100)

	PERCENT		PERCENT	
	RAW	CHANGE	FIN-	CHANGE
	MATERIALS FROM 12 MOS.		ISHED FROM 12 MOS.	
	AND FUELS	EARLIER	GOODS	EARLIER
1977-II	347.7	18.8	259.2	20.5
III	340.5	11.0	267.7	19.9
IV	330.6	0.5	272.1	19.3
1978-I	326.7	- 4.3	279.0	12.5
II( PROV)	340.7	- 2.0	284.6	9.8
APRIL	337.4	- 2.8	282.7	10.7
MAY	341.5	- 2.3	284.7	9.6
( PROV) JUNE	343.1	- 1.5	286.3	9.1
( PROV) JULY	340.2	- 1.3	288.7	8.6

THE 0.9 PERCENT JULY DECLINE IN RAW MATERIALS AND FUELS UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 12719 01 OF 05 091739Z

(INPUTS) PRICES IS THE FIRST SINCE FEBRUARY AND REFLECTS THE RECENT REBOUND OF STERLING AFTER ITS SECOND QUARTER WEAKNESS. WITH STERLING CONTINUING TO SHOW STRENGTH AGAINST THE DOLLAR AND WORLD COMMODITY PRICES NOT AT ALL BUOYANT, IT IS LIKELY THAT INPUT PRICES HAVE NOT AS YET FULLY REFLECTED THIS DEVELOPMENT. TO THE EXTENT THAT STERLING'S SECOND QUARTER FALL IS NOT REPEATED LATER IN THE YEAR, THE IMPACT OF SECOND QUARTER RISE OF 4.3 PERCENT IN INPUT PRICES MAY NOT BE SEVERE.

FINISHED GOODS PRICES ROSE 0.8 PERCENT IN JULY AND CONTINUED THE PATTERN OF STEADILY DECLINING 12-MONTH RATES OF CHANGE IN THE INDEX. WITH MONTHLY CHANGES IN 0.5 TO 0.8 RANGE THE 12-MONTH RATE IS LIKELY TO STABILIZE FOR A TIME AT BETWEEN 8 AND 9 PERCENT. LARGELY RESPONSIBLE FOR THE INDEX'S DECLINE INTO SINGLE DIGITS HAVE BEEN SMALLER THAN AVERAGE INCREASES IN FOOD MANUFACTURING CHEMICALS, METAL MANUFACTURE, TEXTILES, CLOTHING, TIMBER AND PAPER. THESE ARE ALL SECTORS WHERE EXPOSURE TO FOREIGN COMPETITION IS SIGNIFICANT (CHEMICALS, PAPER, CLOTHING AND TEXTILES), DEMAND IS WEAK (METAL MANUFACTURE) OR RAW MATERIALS PRICES HAVE DECLINED (FOOD MANUFACTURE). OFFSETTING THESE FAVORABLE FACTORS HAVE BEEN SHARPLY HIGH-

ER MOTOR VEHICLES PRICES (UP 15.4 PERCENT SINCE JULY

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 12719 02 OF 05 091739Z  
ACTION EUR-12

INFO OCT-01 EA-12 IO-14 ISO-00 AGR-01 OES-09 DOE-15  
SOE-02 DOEE-00 SSO-00 INT-05 SP-02 ICA-20 AID-05  
EB-08 NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00  
FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06 LAB-04  
SIL-01 PA-02 L-03 H-02 ABF-01 /169 W  
-----015292 091816Z /45

P R 091712Z AUG 78  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC PRIORITY 8959  
TREASURY DEPT WASHDC PRIORITY  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY DUBLIN  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
AMCONSUL BELFAST  
AMCONSUL EDINBURGH  
USMISSION GENEVA  
USDOC WASHDC

UNCLAS SECTION 02 OF 05 LONDON 12719

1977), STEEL PRICES (UP 11.4 PERCENT) AND POTTERY AND  
GLASS PRICES (UP 12.8 PERCENT).

2. THE ELIGIBLE LIABILITIES OF THE BANKING SYSTEM ROSE  
1.5 PERCENT IN THE BANKING MONTH TO JULY 19, FOLLOWING A  
0.3 PERCENT FALL IN THE MONTH ENDED JUNE 21. INTEREST-  
BEARING ELIGIBLE LIABILITIES (IBELS) ROSE 1.5 PERCENT OV  
JULY AS WELL, IN SHARP CONTRAST TO THE 1.2 PERCE  
FALL IN THE PRECEDING MONTH. THE RISE IN IBELS WAS PAR-  
TICULARLY UNEXPECTED. THE CORSET (SEE LONDON 9190)  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 12719 02 OF 05 091739Z

WAS EXPECTED STEADILY TO REDUCE IBELS TOWARD THE 29.1 BN. POUND LEVEL THAT REPRESENTS AN AVERAGE PENALTY-FREE LEVEL FOR THE BANKING SYSTEM.

THE GROWTH IN ELIGIBLE LIABILITIES WAS CONCENTRATED IN THE LONDON CLEARING BANKS WHOSE 687 MILLION POUND INCREASE WAS GREATER THAN THE 668 MILLION POUND INCREASE FOR THE SYSTEM AS A WHOLE. THIS INCREASE IN FACT JOINED AN 86 MILLION POUND FALL IN RESERVE ASSETS TO FORCE A SHARP REDUCTION IN THE LONDON CLEARERS' RESERVE RATIO FROM 13.6 PERCENT TO 12.9 PERCENT.

THE DECLINING LEVEL OF RESERVES OVERLAPS A PERIOD OF STRINGENCY IN THE MONEY MARKET (SEE LONDON 11168, PARA. 6 AND 11899, PARA. 4). THIS PRESSURE WAS RELIEVED BY THE JULY 27 RELEASE OF APPROXIMATELY 440 MILLION POUNDS IN RESERVE ASSETS TO THE BANKING SYSTEM (SEE LONDON 12315, PARA 2).

TOTAL RESERVES OF THE BANKING SYSTEM FELL 129 MILLION POUNDS. RESERVES HELD IN THE DISCOUNT MARKET FELL 308 MILLION POUNDS, BEING PARTIALLY OFFSET BY A 214 MILLION POUND INCREASE IN THE RESERVES HELD AS BALANCES WITH THE BANK OF ENGLAND.

#### A SUMMARY OF THE MOST RECENT STATISTICS:

(MILLIONS OF POUNDS)

	JUNE 21	JULY 19
ELIGIBLE LIABILITIES	44,369	45,037
OF WHICH INTEREST BEARING	29,732	30,173
RESERVE ASSETS	6,139	6,010
OF WHICH		
BALANCES WITH THE BANK		
OF ENGLAND	393	607
MONEY AT CALL IN THE DISCOUNT MARKET	3,290	2,982
U.K. AND NORTHERN IRELAND		

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 12719 02 OF 05 091739Z

TREASURY BILLS	835	800
RESERVE RATIO (PERCENT)	L3.8	L3.3

3. FINANCIAL TIMES SURVEY. THE MONTHLY FINANCIAL TIMES BUSINESS OPINION SURVEY SHOWED A BIT MORE OPTIMISM AMONG RESPONDENT FIRMS IN JULY. NEARLY HALF OF THE RESPONDENT (44 PERCENT) EXPRESSED MORE OPTIMISM ABOUT THE GENERAL BUSINESS SITUATION NOW OVER THREE MONTHS AGO WHILE JUST 10 PERCENT TOOK AN OPPOSING VIEW. THESE RESULTS COMPARE WITH 37 AND 25 PERCENT RESPECTIVELY IN THE APRIL SURVEY. NEVERTHELESS ORDER BOOKS SHOW LITTLE STRENGTHENING,

THOUGH A BARE MAJORITY (51 PERCENT) OF RESPONDENTS ANTICIPATE SALES INCREASES OF 5 TO 20 PERCENT IN THE COMING YEAR.

WEAK DOMESTIC AND FOREIGN DEMAND ARE THE TWO MOST COMMONLY CITED FACTORS AFFECTING CURRENT OUTPUT. AMONG SUPPLY SIDE ELEMENTS SKILLED FACTORY STAFF, EXECUTIVE STAFF AND LABOR DISPUTES ARE COMMONLY CITED ALTHOUGH THE LAST FACTOR HAS BECOME LESS SIGNIFICANT IN RECENT MONTHS. INVESTMENT INTENTIONS CONTINUE TO STRENGTHEN WITH FULLY 62 PERCENT OF ALL RESPONDENTS EXPECTING TO INCREASE THE VOLUME OF CAPITAL SPENDING WHILE ONLY 16 PERCENT INTENDED TO REDUCE IT. THE COMPARABLE FIGURES FOR APRIL WERE 55 PERCENT AND 24 PERCENT, RESPECTIVELY. THE MEDIAN EXPECTATION FOR UNIT COST INCREASES OVER THE NEXT 12 MONTHS HAS DECLINED TO 9 PERCENT, ALTHOUGH NEARLY THREE-QUARTERS

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 12719 03 OF 05 091742Z  
ACTION EUR-12

INFO OCT-01 EA-12 IO-14 ISO-00 AGR-01 OES-09 DOE-15  
SOE-02 DOEE-00 SSO-00 INT-05 SP-02 ICA-20 AID-05  
EB-08 NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00  
FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06 LAB-04  
SIL-01 PA-02 L-03 H-02 ABF-01 /169 W  
-----015317 091817Z /45

P R 091712Z AUG 78  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC PRIORITY 8960  
TREASURY DEPT WASHDC PRIORITY  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY DUBLIN  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
AMCONSUL BELFAST  
AMCONSUL EDINBURGH  
USMISSION GENEVA  
USDOC WASHDC

UNCLAS SECTION 03 OF 05 LONDON 12719

OF THE SAMPLE EXPECT WAGE COSTS TO RISE 10 TO 14 PERCENT OVER THE SAME PERIOD.

FINALLY PROFIT MARGINS ARE EXPECTED TO WIDEN BY 39 PERCENT OF RESPONDENTS, A SHARP RISE FROM THE 23 PERCENT FIGURE OF LAST APRIL. OVERALL EARNINGS ARE EXPECTED TO RISE BY 55 PERCENT OF THE SAMPLE COMPARED WITH 36 PERCENT IN APRIL.

4. RETAIL SALES. THE FINAL SEASONALLY ADJUSTED INDEX OF THE VOLUME OF RETAIL SALES IN JUNE IS 108.6 (1971 EQUALS UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 12719 03 OF 05 091742Z

100), A RISE OF 0.2 PERCENT FROM THE PREVIOUS MONTH. THIS IS A MORE MODERATE INCREASE THAN THE 0.6 PERCENT INCREASE TO 109.0 THAT WAS PROVISIONALLY ESTIMATED. FOR THE SECOND QUARTER AS A WHOLE, RETAIL SALES INCREASED BY 1.6 PERCENT TO 108.0. THE MOST RECENT QUARTERLY AND MONTHLY DATA FOLLOW:

	(1971 EQUALS 100)	PERCENT CHANGE FROM VOLUME OF RETAIL SALES 12 MONTHS EARLIER
1977-I	103.3	- 2.5
II	102.5	- 4.1
III	104.3	- 3.7
IV	104.4	- 1.4
1978-I	106.3	2.9
II	108.0	5.4
1978 JANUARY	104.9	
FEBRUARY	106.8	2.7
MARCH	107.0	5.2
APRIL	106.7	4.3
MAY	108.4	5.0
JUNE	108.6	6.4

THE MAJOR POSITIVE FACTOR IN THE AUNE MONTHLY INCREASE WAS THE 3.2 PERCENT INCREASE IN CONSUMER DURABLES. FOOD SALES SHOWED LITTLE CHANGE WHILE SALES OF CLOTHING AND FOOTWEAR FELL BY 2.7 PERCENT. THE QUARTERLY VOLUME INCREASE RESULTED FROM A 1.6 PERCENT INCREASE IN THE VOLUME OF FOOD SALES AND A 1.7 PERCENT INCREASE IN SALES BY ALL NON-FOOD SHOPS WITH THAT INCLUDING A 4 PERCENT RISE IN SALES OF DURABLES. FOR THE SIX MONTHS THROUGH JUNE, AVERAGE RETAIL SALES VOLUME ROSE AT AN ANNUAL RATE OF 5.4 PERCENT. WITH FURTHER INCOME TAX REBATES SCHEDULED FOR AUGUST AND OCTOBER DISPOSABLE INCOMES WILL BE BOOSTED, ADDING TO THE PROSPECT OF CONTINUED STRENGTH IN RETAIL SALES THROUGH THE END OF 1978.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 12719 03 OF 05 091742Z

5. INSTALLMENT CREDIT. TOTAL DEBT OUTSTANDING TO FINANCE HOUSES AND RETAILERS CONTINUED TO GROW AT AN INCREASED RATE IN JUNE. THIS DEBT TOTALLED 3.78 BILLION POUNDS SEASONALLY UNADJUSTED, AT THE END OF THE MONTH, RISE OF 2.9 PERCENT FROM THE MAY FIGURE OF 3.69 BILLION POUNDS. DURING THE MONTH FINANCE HOUSES EXTENDED 242 MILLION POUNDS (SEASONALLY ADJUSTED) IN NEW CREDIT, WITH A NET INCREASE IN OUTSTANDING DEBT OF 87 MILLION POUNDS. THE CORRESPONDING FIGURES FOR RETAIL ESTABLISHMENTS WERE 217 MILLION AND 19 MILLION POUNDS, RESPECTIVELY. FOR THE SECOND QUARTER AS A WHOLE, TOTAL NEW CREDIT EXTENDED WAS 10.6 PERCENT HIGHER THAN THE FIRST QUARTER, WHICH WHEN COMPARED WITH THE 3.4 PERCENT RISE IN NOMINAL RETAIL SALES FOR THE SECOND QUARTER, UNDERSCORES A SIZEABLE SHIFT IN FAVOR OF INSTALLMENT PURCHASES.

6. TOTAL ASSETS AND LIABILITIES OF THE LONDON CLEARING BANKS ROSE 533 MILLION TO 63,650 MILLION POUNDS IN THE BANKING MONTH ENDED JULY 19. THE ITEM EXCITING THE GREAT EST PRESS AND MARKET COMMENT WAS A 793 MILLION POUND INCREASE IN STERLING ADVANCES TO THE U.K. PRIVATE SECTOR THERE WAS ALSO SIGNIFICANT ACTIVITY IN THE MONEY MARKET AS LOANS TO U.K. BANKS INCREASED 299 MILLION POUNDS WHILE LOANS TO THE DISCOUNT MARKET FELL 372 MILLION POUNDS. THE MOST SIGNIFICANT CHANGES IN STERLING LIABILITIES WERE: A 560 MILLION POUND INCREASE IN DEPOSITS FROM THE U.K. BANKING SECTOR, A 373 MILLION POUND INCREASE IN U.K. PRIVATE SECTOR DEPOSITS. FOREIGN CURRENCY LOANS TO U.K. BANKS AND THE DISCOUNT MARKET FELL 289 MILLION POUNDS WHILE OVERSEAS RESIDENTS' FOREIGN CURRENCY DEPOSITS WITH THE LONDON CLEARERS FELL 386 MILLION POUNDS.

7. PRICES IN THE GILT MARKET ROSE SLOWLY BUT RESOLUTELY THROUGH THE WEEK, WITH ONLY A SHORT SETBACK UPON RECEIPT UNCLASSIFIED

UNCLASSIFIED

PAGE 04 LONDON 12719 03 OF 05 091742Z

OF THE REPORT ON THE GROWTH OF ELIGIBLE LIABILITIES. BY TUESDAY YIELDS HAD FALLEN SUFFICIENTLY TO TEST THE GOVERNMENT BROKER WHO SOLD SOME 50 TO 75 MILLION OF THE SHORT TAP, THE EXCHEQUER 10 PERCENT 1983 BEFORE WITHDRAWING FROM THE MARKET. ON WEDNESDAY THE LOSSES SUS-

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 12719 04 OF 05 091748Z  
ACTION EUR-12

INFO OCT-01 EA-12 IO-14 ISO-00 AGR-01 OES-09 DOE-15  
SOE-02 DOEE-00 SSO-00 INT-05 SP-02 ICA-20 AID-05  
EB-08 NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00  
FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06 LAB-04  
SIL-01 PA-02 L-03 H-02 ABF-01 /169 W  
-----015383 091817Z /45

P R 091712Z AUG 78  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC PRIORITY 8961  
TREASURY DEPT WASHDC PRIORITY  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY DUBLIN  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
AMCONSUL BELFAST  
AMCONSUL EDINBURGH  
USMISSION GENEVA  
USDOC WASHDC

UNCLAS SECTION 04 OF 05 LONDON 12719

TAINED FOLLOWING TUESDAY AFTERNOON'S ANNOUNCEMENT OF  
THE MONETARY STATISTICS WERE NEARLY RECOUPED. A MARKET  
SOURCE INDICATED THAT ON REFLECTION THE EL GROWTH  
FIGURES HAD BEEN DISCOUNTED. THE LONDON CLEARING BANKS,  
HE SUGGESTED, WERE BOUND TO BE SLUGGISH IN THEIR RE-  
SPONSE TO THE CORSET BUT WOULD EVENTUALLY COME AROUND.

8. STERLING WAS LARGELY ON THE SIDELINE THIS WEEK, AS  
ACTIVITY SHIFTED TO DOLLAR/YEN TO DOLLAR DM. FAIRLY  
SHARP MOVEMENTS ON RELATIVELY LOW VOLUME ARE CITED, WITH  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 12719 04 OF 05 091748Z

THE MARKET VERY NERVOUS. SOME DEALERS THINK IT REFLECTS



A "SPECULATIVE TONE" OR A "WILD EDGE" APPEARING. DM STRENGTH HAS ALSO CAUSED QUESTIONING ABOUT POTENTIAL DIFFICULTIES IN THE SNAKE (PARTICULARLY WITH THE BELGIAN FRANC AND DUTCH GUILDER) AND HOW AN ECU SYSTEM WOULD WEATHER SUCH A FLURRY. DOLLAR WEAKENING AND FEARS OF DOMESTIC U.S. INFLATION AND THE ADMINISTRATION'S ABILITY TO DEAL WITH IT ARE CITED, RATHER THAN ANY PARTICULAR ELEMENT OF DM OR YEN STRENGTH.

DEALERS WERE SURPRISED BY THE DEGREE THAT STERLING STRENGTHENED AGAINST THE DOLLAR WEDNESDAY AFTER TUESDAY'S BANKING FIGURES; THERE IS NOTHING INHERENTLY NEW OR POSITIVE IN THE U.K. POSITION TO WARRANT IT. THE BANKING FIGURES, GIVING AN INDICATION THAT INTEREST RATE MAY NOT FALL AS EXPECTED, ARE GIVEN SOME CREDIT FOR PUSHING OUT THE FORWARDS. SOME DEALERS SPECULATE THAT THE BANK OF ENGLAND MAY HAVE BEEN PLACING FUNDS FORWARD AS WELL, TO REDUCE THE PUBLISHED RESERVES FIGURES AND DISGUISE THE DEGREE TO WHICH THE BANK MAY HAVE BEEN INTERVENING; OTHERS DISCOUNT REPORTS OF EXTENSIVE INTERVENTION.

LOOKING AHEAD, MOST SOURCES CONSIDER INTERNAL U.K. INFLUENCES LIKELY TO IMPACT ON STERLING OVER THE NEXT SIX TO EIGHT WEEKS TO BE GENERALLY BENEFICIAL, WITH THE POSSIBLE OCTOBER ELECTION THE NEAREST DARK CLOUD ON THE HORIZON.

#### 9. EXCHANGE RATE AND GOLD EFFECTIVE

EXCHANGE RATE			
(DEC. 1971)			
DATE	EXCHANGE RATE (4)	EQUALS 100)	(\$)
8/2	1.9280	62.3	201-1/8
8/3	1.9300	62.4	200-1/8
8/4	1.9235	62.4	201-3/8

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 12719 04 OF 05 091748Z

8/7	1.9300	62.2	203-7/8
8/8	1.9340	62.1	206-7/8

CHANGE 8/1-8/8 UP 0.0070 DOWN 0.2 UP 4

#### 10. FORWARD PREMIUM ON STERLING

DATE	1 MONTH	3 MONTHS	6 MONTHS
8/2	- 0.45	- 1.13	- 2.00
8/3	- 0.42	- 1.05	- 1.92
8/4	- 0.47	- 1.22	- 2.13
8/7	- 0.67	- 1.42	- 2.37
8/8	- 0.65	- 1.45	- 2.52

CHANGE 8/1-8/8 DOWN 0.23 DOWN 0.43 DOWN 0.45  
(ALL FIGURES IN CENTS)

#### 11. EURODOLLAR INTEREST RATES

DATE	1 MONTH	3 MONTHS	6 MONTH
8/2	7-5/8	8-1/4	8-3/4

8/3	8-1/8	8-3/8	8-7/8
8/4	8-1/2	8-1/4	8-5/8
8/7	8-1/16	8-3/8	8-3/4
8/8	8-1/16	8-7/16	8-5/8

CHANGE 8/1-8/8 UP 1/16 DOWN 1/16 DOWN 3/8

12. THREE-MONTH LONDON INTERBANK - EURODOLLAR INTEREST  
RATE DIFFERENTIAL

DATE	
8/2	1-7/16
8/3	1-5/16
8/4	1-1/2
8/7	1-5/16
8/8	1-1/16

CHANGE 8/1-8/8 DOWN 1/4

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 12719 05 OF 05 091742Z  
ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 IO-14 AGR-01 OES-09 DOE-15  
SOE-02 DOEE-00 SSO-00 INT-05 SP-02 ICA-20 AID-05  
EB-08 NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00  
FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06 LAB-04  
SIL-01 PA-02 L-03 H-02 ABF-01 /169 W  
-----015315 091819Z /45

P R 091712Z AUG 78  
FM AMEMBASSY LONDON  
TO SEISTATE WASHDC PRIORITY 8962  
TREASURY DEPT WASHDC PRIORITY  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY DUBLIN  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
AMCONSUL BELFAST  
AMCONSUL EDINBURGH  
USMISSION GENEVA  
USDOC WASHDC

UNCLAS SECTION 05 OF 05 LONDON 12719

13. STERLING CERTIFICATES OF DEPOSIT

DATE	1 MONTH	3 MONTHS	6 MONTH
8/2	9-25/32	9-9/16	9-11/1
8/3	9-13/16	9-5/8	9-21/3
8/4	9-27/32	9-9/16	9-19/3
8/7	9-23/32	9-17/32	9-5/8
8/8	9-5/8	9-5/16	9-5/16

CHANGE 8/1-8/8 DOWN 3/16 DOWN 9/32 DOWN 3/8

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 12719 05 OF 05 091742Z

14. INTERPOLATED REDEMPTION YIELDS OF HIGH COUPON  
GOVERNMENT SECURITIES

DATE	5 YEARS	15 YEARS	25 YEAR
8/2	11.35	12.52	12.79
8/3	11.32	12.50	12.76
8/4	11.30	12.51	12.78
8/7	11.20	12.49	12.75
8/8	11.22	12.44	12.70

CHANGE 8/1-8/8 DOWN 0.21 DOWN 0.11 DOWN 0.11

15. THE MINIMUM LENDING RATE REMAINED AT 10 PERCENT.

16. THE AVERAGE RATE AT FRIDAY'S TREASURY BILL AUCTION  
FELL 0.1490 PERCENT TO 8.9646 PERCENT. BIDS TOTALED  
754.905 MILLION POUNDS FOR THE 400 MILLION POUNDS IN  
BILLS TENDERED. THIS WEEK 300 MILLION POUNDS IN BILLS  
WILL BE OFFERED AS 500 MILLION POUNDS MATURE.

BREWSTER

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC DEVELOPMENT, DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 09 aug 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 jan 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978LONDON12719  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780326-0231  
**Format:** TEL  
**From:** LONDON USEEC  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780883/aaaacrki.tel  
**Line Count:** 584  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 78e66d66-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 11  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 29 mar 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1793717  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ECONOMIC DEVELOPMENTS FOR PERIOD AUGUST 3 - 9 SUMMARY: RAW MATERIALS AND FUELS PRICES EASE AS FINISHED  
UNCLASSIFIED  
**TAGS:** ECON, UK  
**To:** STATE TRSY  
**Type:** TE  
**vdkgvkey:** odbc://SAS/SAS.dbo.SAS\_Docs/78e66d66-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014